

# Transportation Needs and Funding Options Study Presentation

## Interstate 10/Hassayampa Valley Roadway Framework Study



### Introduction to **TRANSPORTATION FUNDING and OPTIONS**

### **Developer Forum 2**

**July 26, 2006**



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## **Existing Major Sources of Transportation Revenues**

- **Public Funds, primarily from gas taxes and user fees**
  - Federal – Highway Trust Fund, allocated by formula
  - State – Highway User Revenue Fund, allocated by formula
  - Local (County, municipal) – sales taxes, and impact fees; primary and secondary property taxes
  - Discretionary funds, Federal and State
  - All funding sources, except discretionary, have defined uses and limitations

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### Existing Major Sources

- **Private Sources**

- Exactions, during development process
- Dedications (right-of-way, for example)
- Roadway construction and other in-lieu contributions
- Improvement Districts
- Community Facility Districts

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### Federal Overview

- **Federal**

- Motor Fuel Tax (gas) (18.4-cents/gallon)
- Diesel Fuel Tax (24.4-cents/gallon)
- Major Categories of Federal Transportation Program:
  - Surface Transportation Program
  - Congestion Mitigation and Air Quality Improvement Program
  - Bridge Replacement and Rehabilitation
  - Interstate Maintenance
  - National Highway System
  - Highway Safety Improvement Program

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### Federal Overview

- Federal Funds are cooperatively programmed by ADOT and MAG in Maricopa County
- Allocation of federal funding in Arizona is pre-determined by agreement for MAG and PAG regions through the Casa Grande Resolves (1999)
- Federal funding to Arizona currently
  - \$3.25 Billion total for FY '05-'09 (\$650 M/yr)
  - 90.5% return on \$ collected in Arizona

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### State Funding Overview

- Motor Fuel Tax and Use Fuel Tax rates not raised since 1991
- All revenues deposited in the Highway User Revenue Fund (HURF)
- State statutes determine allocations of HURF revenues to State Highway Fund, cities/towns, and counties
- HURF revenues allocated to cities/towns based upon:
  - County origin of fuel sales
  - County and City Populations

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### State Funding Overview

- Use of HURF revenues governed by **Arizona State Constitution - Title 9, Section 14** restricts the use of HURF revenues to “highway and street purposes”
- HURF revenues in Fiscal Year 2005:
  - MCDOT \$90 million (90% of Total)
  - Buckeye \$617,748
  - Goodyear \$1.4 million
  - Surprise \$2.2 million

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### Inflation's Effect on State Revenues

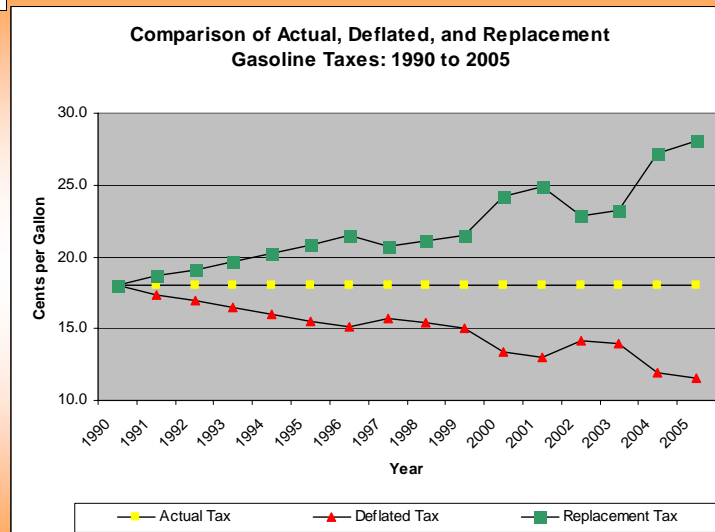
- Federal and state gasoline tax rates not changed since the early 1990's
- Effective state tax rate has been reduced to 11.6-cents/gallon
- Replacement state tax rate would be 28-cents/gallon
- Erosive effect of inflation shown on following graph

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## Regional Sales Tax (RARF)

- Countywide Transportation Sales Tax
- First enacted in 1986 for 20-Years/ expired in 2005
- Voters extended for another 20-years in 2004 election (RARF II)
- Expenditures set by Regional Transportation Plan
- Projected revenues through Fiscal Year 2026 - \$9 billion (2002 dollars)
  - \$8.5 billion for projects
  - \$500 million for interest expense related to bonding

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### RARF (continued)

- Original RARF used almost entirely for regional freeway system
- Renewed sales tax/RTP includes freeways, arterials, rail transit and bus expansion
- Funds cannot be moved across modes
- RTP includes all ADOT and Federal Highway funds for the MAG region
- RARF II revenues programmed by MAG and ADOT
- **KEY POINT --These funds are already committed**

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### Local Sales Taxes

- Adopted by local communities
  - Typically ½ per cent
- Dedicated primarily for transit and light rail programs
- Buckeye has 3% construction sales tax
- New push for increased local sales taxes

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### Development Impact Fees

- Counties and cities/towns can establish impact fees on new development to cover the proportional costs of new infrastructure demands from new development
  - Counties A.R.S. 11-1102
  - Cities/towns A.R.S. 9-463.05
- Fees can be collected from residential and non-residential development
- Statutes permit many uses of impact fees, including for transportation
- ***Statutes do not allow impact fee expenditure on state highways***

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### Impact Fees (continued)

- Maricopa County does not impose any impact fees
- Buckeye and Surprise do not collect impact fees for transportation, but do collect fees for other purposes
- Buckeye is considering DIF for transportation
- Goodyear imposes modest impact fees for transportation and higher fees for other purposes
- The Hassayampa Valley will have over 2 million people by 2030:
  - About 435,000 new dwelling units
  - This growth, at \$5,000/dwelling unit, generates \$2.2 billion

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### Impact Fee Paradox

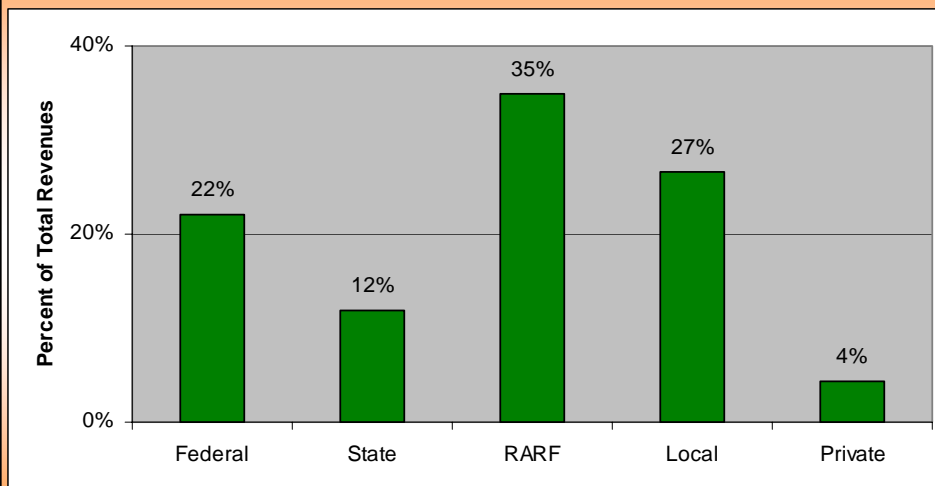
- Impact Fees are collected at time of permitting
- Regional corridor planning takes years
- Usually impact fee collections are too little and too late
  - For example, the \$2.2 billion collected in the previous example is only fully collected as the last home is built . . . Not planned
- Impact fees are a poor source for consistent infrastructure financing

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### The Big Regional Picture



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### Potential Revenue Sources

- Sources considered in three general categories
  - Expansion of current sources
  - Authorized sources not currently used
  - New sources requiring authorization
- Sources can then be screened for further consideration in the study based on criteria such as incremental revenue, public acceptance and ease of implementation.

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### Expansion of Current Sources

- **Current Sources**
  - Development Exactions
  - Federal Funds
  - Gas Tax, Flat
  - Grants
  - Improvement Districts (IDs)
  - Community Facilities Districts (CFDs)
  - Utility Fees in Right-of-way Corridors
  - Vehicle License Tax (VLT)
  - Increase and dedicate city sales tax

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### Authorized Sources, Unused

- **Authorized Sources, not Currently Used**

- Development Impact Fees (County)
- General Funds (Most jurisdictions)
- Transportation Property Tax (Public vote may be necessary)
- Toll Roads
  - Statutes need complete rewrite to reflect modern development trends (allow for public-private partnerships)
  - State/county – allowed agencies
  - Cities - Needs legal opinion under current statutes

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### Sources Requiring Legislation

- **New Sources (requiring authorization)**

- County Community Facility Districts (CFDs)
  - New legislation adopted, effective Sept 2006
- Discretionary Sales Tax
- Gas Tax, Indexed against Inflation
- Sales Tax on Gas Sale
- Local Option Gas Tax (may require constitutional amendment)

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### Toll Road Basics

- Toll Roads were a hot topic in Arizona about 10 years ago, and again today
  - Recent press coverage here, nationally, internationally
- **Toll roads are for-profit “businesses” with investors**
- Toll roads must have higher level of service, security, and maintenance
- **Toll routes must have a “free” alternative route**
- No two cases are the same
- Could have toll bridges
- A lot of foreign investment



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### Toll Roads (continued)

- Modern toll roads
  - Have electronic toll collection
  - Managed lanes
  - Variable toll, depending on demand
  - Can support car pooling, transit, Alt Fuel Vehicles
  - Are built and maintained to very high standards
  - Are common in California, Colorado, Texas, Florida
  - A lot of new projects are being planned and implemented
  - May not need any public investment



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### Toll Road Statistics for USA

Functional System Code	Functional System	Toll Portions	
		Miles	Kilo-meters
01	Rural Interstate System	1,903.10	3,062.74
02	Rural Other Principal Arterial	1,011.31	1,627.55
06	Rural Minor Arterial	36.24	58.32
07	Rural Major Collector	9.02	14.52
08	Rural Minor Collector	8.10	13.04
09	Rural Local	32.04	51.56
Subtotal - Rural		2,999.81	4,827.73
11	Urban Interstate System	998.44	1,606.83
12	Urban Other Freeways & Expressways	931.46	1,499.04
14	Urban Other Principal Arterial	154.23	248.21
16	Urban Minor Arterial	40.11	64.55
17	Urban Collector	5.23	8.42
19	Urban Local	11.60	18.67
Subtotal - Urban		2,141.07	3,445.72
Total Rural & Urban		5,140.88	8,273.44

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### Arizona Toll Road Laws

- Arizona Counties clearly have authority to build - ARS 28- 6801, *et seq.*
  - Very old law – refers to 50 width and plank roads
  - 2% of gross to State General Fund
  - County can condemn right-of-way
- ADOT clearly has authority under Privatization Statutes – ARS 28-7701, *et seq.*
  - Toll road meet ADOT specifications
  - Must have a viable free alternate route
  - State owned, leased to toll operator
  - Competitive process

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### Summary of Preliminary Considerations

- Current revenue sources will fall far short of the long term needs.
- New sources will be needed to implement the "framework" system
- A single funding source will probably not work; we'll need a mixture of sources
- Likely will require a mix of public and private funds
- Toll roads are worthy of re-examination

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### Summary (Continued)

- CFDs have potential
- Regional impact fees may be viable
- Need to increase gas tax, or implement a replacement to the gas tax
- None of the revenue sources will be easy to implement.
  - The sources that generate the most revenue will likely be the hardest to implement.

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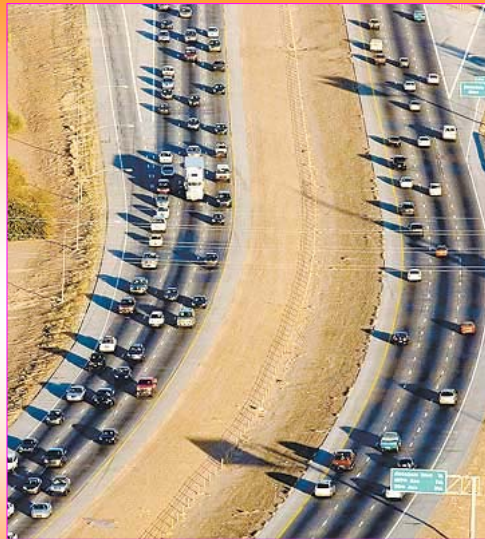


### Next Steps

- Screen long list of sources for further consideration based on...
  - Compatibility with Framework Plan
  - Legal and Technical suitability
  - Financial feasibility/revenue generation
  - Ease of Implementation
  - Public Acceptance
  - Likely political acceptance
- Present Short list for further discussion
- Documentation of findings
- Discussion on recommendations

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